

Natural Gas Choice

Indiana Office of Utility Consumer Counselor

OUCC

NIPSCO Choice Program Question and Answers

What is the Choice Program?

The natural gas *Choice* program is an opportunity for Northern Indiana Public Service Company (NIPSCO) natural gas customers to choose their natural gas suppliers. The supplier you choose will buy gas for you. NIPSCO will then transport it to Northern Indiana and deliver the gas to you through its distribution system. The program is voluntary and you are not required to make any changes to your current service.

The Choice Program: Why?

The *Choice* program was proposed by NIPSCO in late 1995 as a response to increased competition in the natural gas wholesale



some suppliers may be able to buy natural gas at a lower cost than others, including NIPSCO.

The presence of other suppliers competing for your business influences all suppliers to keep prices low and to offer services customers want.

Will I Need New Gas Lines Installed Into My Home or Business?

No. NIPSCO will continue to be the company that delivers the gas to you. NIPSCO will still be responsible for maintaining and servicing the distribution system, including the existing service line into your home or business. Natural gas still will be delivered to you through that line regardless of the gas supplier you choose.

How Do I Know The Gas Will Be There When I Need It?

Before each gas supplier is allowed to participate in the *Choice* program, it is required to meet strict financial and operational qualifications to insure that it can provide natural gas to all of its customers. In the unlikely case that one of these qualified gas suppliers fails to deliver enough gas to NIPSCO, NIPSCO is required to

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market, the consumer's desire for choice and to allow the utility to take a lead role in shaping the way Indiana's retail gas market was opened to competition. A modified version of the proposal was approved by the Indiana Utility Regulatory Commission in late 1997 after lengthy negotiations with the Indiana Office of Utility Consumer Counselor (OUCC) and other parties.

How Can Choosing My Supplier Benefit Me?

Cost savings and new products and services are potential benefits. Every gas supplier has a different combination of contracts with competing gas producers and interstate pipelines. As a result,

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Unbundling Your Natural Gas Rates

Natural gas service consists of three parts: **supply**, **transportation** and **distribution**. These are illustrated below. In the past, your bill did not break out these three parts, but showed a total price for the entire bundle. This made sense when NIPSCO was your only option for these three services.

The *Choice* program, however, is unbundling these services. Currently, under the *Choice* program, NIPSCO transports and

delivers the natural gas to you through interstate pipelines and its distribution lines, but other companies compete for the right to supply natural gas on your behalf. In the future, these suppliers may offer competing transportation services.

As a result, your gas utility bill will now show separate charges for the gas supply and its transportation and distribution.

Contracts

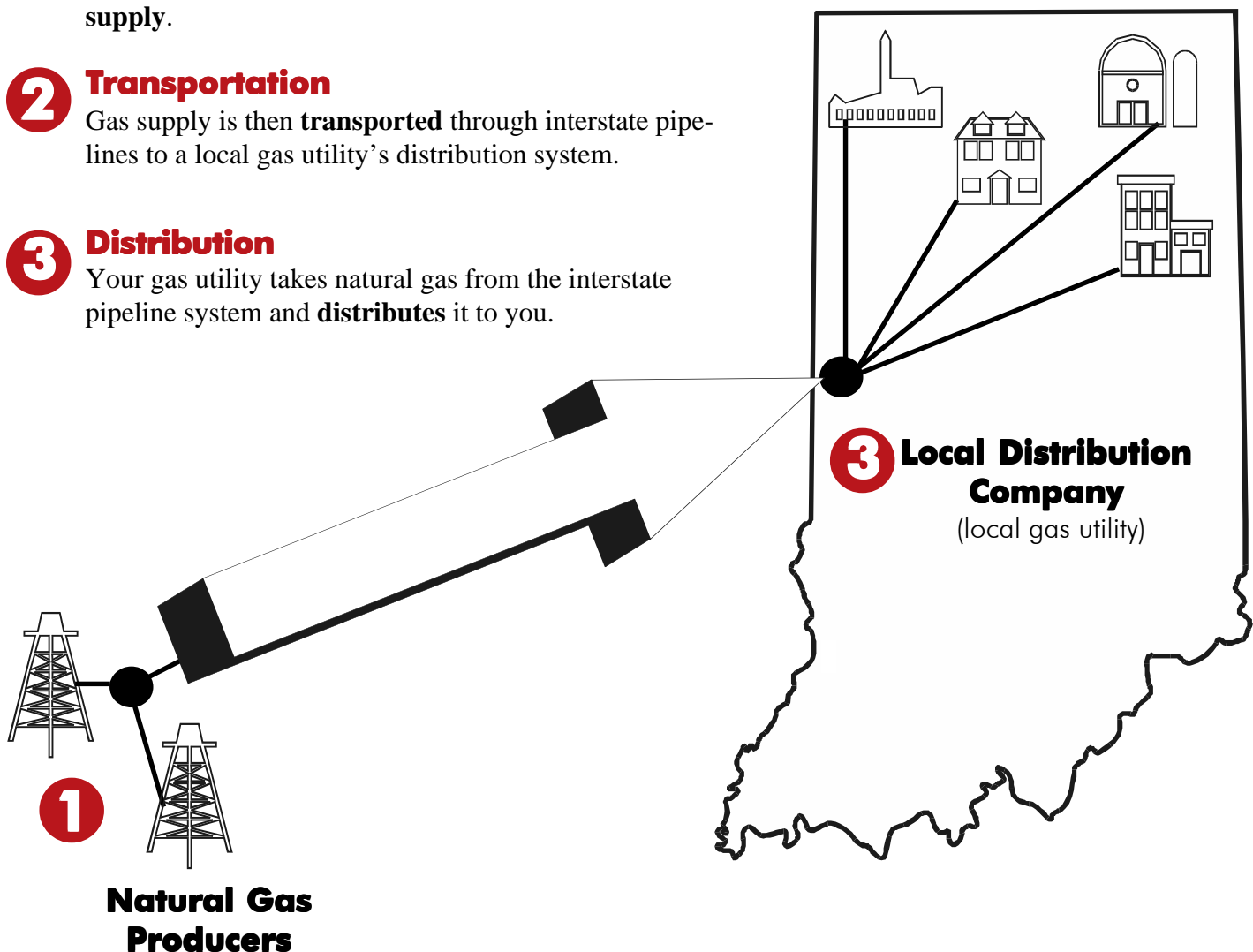
If you choose to participate in the *Choice* program, it is important

to note that the terms of your new gas supply service will be dictated by a contract. This means that the price you are charged and the length of time you agree to be served by that supplier will be set out in writing rather than based on published utility rates. Both you and the gas supplier will be bound by that written agreement. The quality of natural gas you receive from any gas supplier will be identical to the quality of gas you receive from the utility.

1 Supply
Natural gas producers drill wells that pull natural gas from beneath the earth's surface. This is called the natural gas supply.

2 Transportation
Gas supply is then **transported** through interstate pipelines to a local gas utility's distribution system.

3 Distribution
Your gas utility takes natural gas from the interstate pipeline system and **distributes** it to you.



Comparing Natural Gas Supply Proposals

The **Household Gas Usage Table** and **Gas Supplier Worksheets** on this page can be used to help evaluate proposals made by gas suppliers. Your gas usage data from a recent 12 month period is available from NIPSCO. Use the gas usage table to write your actual usage information into the spaces provided below.



A therm is a unit of volume used to measure the amount of gas you use. The price per therm may be fixed at a specific amount or may change with the market price.

You can see how your household usage compares with an

estimate of usage for a typical residence during a normal year. These usage amounts are only an estimate of how much gas you might use in the future. Actual usage for all customers depends upon many factors including weather, furnace efficiency, the amount of insulation in your home and lifestyle.

Household Gas Usage Table

Month	Usage*	My Usage
January	230 therms	_____ therms
February	180 therms	_____ therms
March	150 therms	_____ therms
April	90 therms	_____ therms
May	50 therms	_____ therms
June	30 therms	_____ therms
July	25 therms	_____ therms
August	25 therms	_____ therms
September	30 therms	_____ therms
October	70 therms	_____ therms
November	130 therms	_____ therms
December	190 therms	_____ therms
Total	1200 therms	_____ therms
Average	100 therms	_____ therms

**These are estimates. Your actual usage may vary.*

Gas Supplier Worksheet #1

Name of Supplier:

Phone No.:

Contact Person:

Billed by NIPSCO or billed separately?

Price per therm:

Required Length of Contract:

Re-enrollment Terms:

Gas Supplier Worksheet #2

Name of Supplier:

Phone No.:

Contact Person:

Billed by NIPSCO or billed separately?

Price per therm:

Required Length of Contract:

Re-enrollment Terms:

Gas Supplier Worksheet #3

Name of Supplier:

Phone No.:

Contact Person:

Billed by NIPSCO or billed separately?

Price per therm:

Required Length of Contract:

Re-enrollment Terms:

Calculating Potential \$avings

The price for NIPSCO's traditional gas supply includes a base cost of gas plus or minus a gas cost adjustment (GCA) factor. This factor changes periodically to reflect NIPSCO's actual cost of buying gas. Under the *Choice* program, suppliers may choose to offer you a fixed rate per therm for the contract period, which is often one year.



Use the example on this page to help you calculate gas supply costs. This example shows one method of comparing NIPSCO's changing gas supply price with a fixed price. Figure 1 estimates the cost of NIPSCO's traditional supply service. It uses average gas usage numbers, described on page three, and historic gas costs to estimate the cost of NIPSCO's bundled gas supply, including tax. Call NIPSCO to learn your actual usage and NIPSCO's regulated supply cost for the time period you wish to use.

Figure 2 calculates a gas supply cost using an alternative supplier with a fixed price per therm. It also calculates the estimated sales tax on an unbundled supply.

Figure 3 uses numbers from the Figures 1 and 2 to calculate

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Figure 1

**NIPSCO's estimated supply costs and sales tax
(using estimated 1998 usages and actual supply price)**

	supply only (\$/therm)	est. usage (therms)	supply only (\$)
January	\$0.2742	x 230	= \$63.07
February	\$0.2742	x 180	= \$49.36
March	\$0.2315	x 150	= \$34.73
April	\$0.2315	x 90	= \$20.84
May	\$0.2315	x 50	= \$11.58
June	\$0.2328	x 30	= \$6.98
July	\$0.2328	x 25	= \$5.82
August	\$0.2328	x 25	= \$5.82
September	\$0.2000	x 30	= \$6.00
October	\$0.2000	x 70	= \$14.00
November	\$0.2000	x 130	= \$26.00
December	\$0.2599	x 190	= \$49.38

Total Supply Cost	\$293.56
	x 5%
Sales Tax on Supply Only	\$14.68
Divided by .40	/ .40
Estimated Annual Sales Tax on bundled NIPSCO Bill	\$36.70

Figure 2

**Alternative supplier's estimated supply cost and sales tax
(12 month contract at \$0.24 per therm; 1998 estimated usage)**

	supply only (\$/therm)	est. usage (therms)	supply only (\$)
January	\$0.24	x 230	= \$55.20
February	\$0.24	x 180	= \$43.20
March	\$0.24	x 150	= \$36.00
April	\$0.24	x 90	= \$21.60
May	\$0.24	x 50	= \$12.00
June	\$0.24	x 30	= \$7.20
July	\$0.24	x 25	= \$6.00
August	\$0.24	x 25	= \$6.00
September	\$0.24	x 30	= \$7.20
October	\$0.24	x 70	= \$16.80
November	\$0.24	x 130	= \$31.20
December	\$0.24	x 190	= \$45.60

Total Supply Cost	\$288.00
	x 5%
Estimated Sales Tax on Unbundled Supply	\$14.40

Choice Q&A

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provide the natural gas at no additional charge to you. This ensures that *Choice* customers do not suffer service interruptions.

Will I Receive More Than One Bill Each Month?

You may. NIPSCO will continue to service and maintain the distribution lines that serve your home and will continue to read your meter. You will continue to receive a bill from NIPSCO for these services. Suppliers also may use the NIPSCO bill or send you a separate bill.

Will I Receive Telemarketing Calls at Home?

Suppliers are prohibited from initiating unsolicited telephone calls

to residential customers.

May I Switch Gas Suppliers?

Yes. You may switch gas suppliers or return to NIPSCO gas supply service, subject to the terms of your **contract** with your selected gas supplier. After your initial gas supplier selection, you will be charged a \$7.50 administrative fee to switch suppliers. If you later decide to return to NIPSCO gas



supply service, this charge will be waived. However, you must agree to stay with NIPSCO gas supply service for a minimum of one year after switching back.

How Do I Enroll?

You can enroll by contacting any qualified supplier. For a list of eligible suppliers and their toll-free telephone numbers contact NIPSCO's *Choice* Hotline at (800) 464-7726.

You will need your account and service numbers to choose your gas supplier. These numbers are found on your bill or are available from NIPSCO.

These numbers should only be given to the gas supplier you choose. With these numbers, your chosen gas supplier can confirm with NIPSCO that you have signed up for service.

Suppliers can sign you up in several ways: via phone, e-mail, fax or in person. Regardless of how you are enrolled, the supplier must give you the following information: contract price; billing and

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Figure 3

Estimated NIPSCO bundled supply cost	\$293.56
Estimated alternative supplier supply cost	\$288.00
Estimated unbundled supply cost savings	\$5.56
Estimated NIPSCO bundled sales tax	\$36.70
Estimated alternative supplier sales tax	- \$14.40
Estimated unbundled sales tax savings	\$22.30
Estimated Total Savings/Year	\$27.86
(sum of supply savings & sales tax savings)	

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your total estimated savings.

The State of Indiana charges five percent sales tax on products, but generally not services. However, when the services are combined or bundled with a product, sales tax is charged on both.

If your natural gas supply is provided by NIPSCO, five percent sales tax has been levied on your total gas bill. However, if you choose to contract with an alternative supplier to provide your natural gas supply, NIPSCO will collect sales tax only on the charges assessed by your gas supplier and not on the charge for NIPSCO delivery service.

A rough estimate of your sales tax savings is about three percent of your total bill. This estimate is based on the annual usage of an average NIPSCO residential customer who uses approximately 1200 therms per year. This estimated sales tax savings figure also assumes that the gas supply portion of your 12 monthly bills is approximately 40 percent of your total annual gas bills (before taxes). The pipeline transportation services and the local distribution services make up the other 60 percent (before taxes). The three percent estimate is simply five percent savings on the 60 percent of your gas bill on an annual basis.

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payment terms; re-enrollment terms; and contract start and end dates.

If you sign up with a supplier via phone or e-mail, the supplier must mail you this information within five business days of your enrollment. You

then have five business days (from the receipt of the information) to review the information. If within those five business days you determine that the information is incorrect or different than what you had originally agreed to with the supplier, contact the supplier and cancel the contract. Remember that you only have five business days from the receipt of the information to contact the supplier and cancel the contract. The supplier will provide you with either a toll-free telephone number or a postage-paid postcard to use to cancel the contract.

If you sign up with a supplier in person or via fax, you will be signing a contract with all of the terms of the agreement. In this case the supplier is not obligated to give you the five business days to review and cancel the contract. You are bound by the contract you sign. Be sure to review all of the information carefully before you sign it.

Who Should I Call In An Emergency Or If I Have

Service Questions?

If you choose a supplier other than NIPSCO, questions about the pricing of your natural gas **supply** or about your **contract** should be directed to the gas supplier you chose. All other questions should be directed to NIPSCO. NIPSCO will continue to maintain an emergency service department and a 24-hour, toll-free customer service phone number, 1-800-464-7726.

Will the State Still Regulate NIPSCO?

Yes. NIPSCO is still a regulated public utility as the monopoly provider of local distribution services. In addition, the state will continue its oversight of the *Choice* program at least until 2005.

If you have questions or concerns about the Choice program, contact the OUCC toll-free at (888) 441-2494 or online at www.IN.gov/oucc.

OUCC

Representing Indiana's Utility Consumers

The Indiana Office of Utility Consumer Counselor is the state agency that represents the interests of all utility consumers and the public in matters related to the provision of electric, natural gas, telephone, water and sewer utilities in Indiana.

The OUCC is active in proceedings before regulatory agencies and courts, committed to giving consumers a voice in the creation of utility services policy, and available to respond to consumer questions and information needs with regard to utility services.